

Work-sharing Revisited - Lessons from a Natural Experiment

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Abstract

In this paper, I evaluate the consequences of the reduction of the standard workweek from 44 to 40 hours, which was mandated by the Portuguese government in 1996. A natural experiment approach is adopted, but unlike in other studies of the same topic a matched employer-employee dataset is used. This permits to highlight some previously neglected channels through which the effects of the workweek reduction of the workweek reduction are transmitted. All establishments with wage-earners in the economy are observed. The results indicate that the reduction of the workweek originated a negative scale effect, a substitution of overtime for normal hours and wage restraint. The presence of minimum wage earners and the use of overtime hours before the policy took effect and the magnitude of adjustment costs, all influence the employers' response to treatment.

KEYWORDS: Working hours, Work-sharing, Differences-in-differences.

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